

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 SP-02 USIA-06 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-10 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 PA-01 H-01 /113 W
-----037927 301107Z /21

R 301021Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 6604
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 05239

USEEC ALSO FOR AMEMBASSY

USMTN ALSO FOR USMISSION

E.O. 11652: GDS
TAGS: ETRD, EC, MTN, JA
SUBJECT: JAPAN-EC TRADE AGREEMENT

REF: TOKYO 4835

1. SUMMARY: EC REPRESENTATIVES IN TOKYO AND OTHER
SOURCES HAVE PROVIDED SOME INTERESTING ADDITIONAL IN-
SIGHTS INTO EC-JAPANESE DISCUSSIONS MARCH 22-24. EC
REPRESENTATIVES BELIEVE THAT THEY MADE SIGNIFICANT PRO-
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GRESS ON ECONOMIC, AND TRADE QUESTIONS, AND PSYCHOLOGICAL
ISSUE OF RECOGNIZING EC AS AN ENTITY WITH WHICH JAPAN
MUST DEAL. END SUMMARY.

2. EC COMMISSION REPS AND OTHER EMBASSY SOURCES HAVE
PROVIDED US THE FOLLOWING REVIEW OF INSIDE EVENTS DURING
HAFERKAMP-USHIBA TALKS IN TOKYO.

3. EC-JAPAN TALKS ACTUALLY BEGAN IN TOKYO ON MARCH 17 AT DEPUTY DIRECTOR GENERAL LEVEL WITH EXCHANGE OF DRAFT COMMUNIQUE BETWEEN THE TWO SIDES. FIRST THREE DAYS WERE SPENT IN LENGTHY AND DETAILED DISCUSSION OF COMMUNIQUE TEXT, BUT WITH MINIMUM PROGRESS. SINCE VICE PRESIDENT HAFERKAMP WAS SCHEDULED TO DEPART TOKYO ON THURSDAY AFTERNOON, DISCUSSIONS BECAME SERIOUS LATE ON WEDNESDAY MARCH 22. BY THURSDAY MORNING SIR ROY DENMAN AND FOREIGN MINISTRY DEPUTY MINISTER MIYAZAKI WERE BOTH ENGAGED IN NEGOTIATIONS ON COMMUNIQUE LANGUAGE.

4. PROGRESS WAS VERY SLOW AND VICE PRESIDENT HAFERKAMP'S DEPARTURE WAS POSTPONED FOR ONE DAY. AFTER AGREEING TO POSTPONEMENT, DENMAN STILL WAS ACHIEVING LITTLE PROGRESS. THEREFORE HE INFORMED MIYAZAKI ON EVENING OF MARCH 23 THAT NO COMMUNIQUE COULD BE CONCLUDED AND THAT FURTHER TALKS, THEREFORE, HAD NO PURPOSE. MIYAZAKI REPORTEDLY WAS PREPARED FOR THAT ANNOUNCEMENT AND RESPONDED THAT NO FINAL STATEMENT WAS BECESSARY AND THAT THE JOINT PRESS CONFERENCE COULD BE HELD ON FRIDAY AFTERNOON AS PLANNED. DENMAN THEN SAID THAT A JOINT PRESS CONFERENCE WOULD NOT BE APPROPRIATE, AND EC REPRESENTATIVES WOULD HOLD A SEPARATE PRESS CONFERENCE STATING THEIR VIEW OF THE SITUATION AND THEN WOULD DEPART.

5. THIS TACTIC GALVANIZED THE JAPANESE INTO ACTION.
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INDIVIDUAL REPRESENTATIVES OF VARIOUS JAPANESE MINISTRIES APPROACHED EC REPRESENTATIVES "IN THE CORRIDOR" AND ALL ASKED THE SAME QUESTION, "WHAT WERE THE REAL REQUIREMENTS OF THE EC DELEGATION." EC REPRESENTATIVES AT THAT POINT REFERRED THE JAPANESE TO THE RECORD OF DISCUSSIONS OVER THE PREVIOUS WEEK AND LEFT THE MEETING ROOM.

6. JAPANESE OFFICIALS APPARENTLY HELD INTERNAL MEETINGS AT ABOUT 4:00 A.M. FRIDAY MORNING, MARCH 24. THEY THEN PRESENTED TO THE EC A NUMBER OF CONCESSIONS WHICH WERE SUFFICIENT TO JAR THE WHOLE THING LOOSE. FINAL LANGUAGE WAS WORKED OUT ON THE MORNING OF MARCH 24.

7. EC REPRESENTATIVES TELL US THAT, AS THE TALKS PROGRESSED, THE ATMOSPHERE WAS OF ALMOST A THEOLOGICAL UNREALITY. DISCUSSIONS OVER A SINGLE PHRASE OFTEN WERE PROLONGED, AND THE ACTUAL MEANING OF THE WORDS SEEMED TO BECOME LESS AND LESS CLEAR. NEVERTHELESS THEY FEEL THAT THE FINAL OUTCOME PRODUCED A NUMBER OF VALUABLE CONCESSIONS FROM THE JAPANESE.

8. FIRST THEY FEEL THE JAPANESE HAVE HAD TO ACCEPT THE EC AS AN ECONOMIC AND POLITICAL ENTITY WITH WHICH THEY

MUST RECKON. THIS WAS NOT EASY SINCE, UNTIL THE TALKS WITH HAFERKAMP, THE JAPANESE HAVE TREATED THE EC AS A WEAK ORGANIZATION OF NINE NUMBER COUNTRIES WITH DIVERSE INTERESTS. ONLY TOWARD THE END OF THE TALKS DID THEY FULLY UNDERSTAND THAT THE EC WAS QUALIFIED TO SPEAK FOR ITS MEMBERS, AND THAT MEMBER COUNTRIES WERE NOT PREPARED TO UNDERCUT THAT AUTHORITY.

9. IN THE FINAL STATEMENT, THE JAPANESE CONFIRMED AGAIN THE 7 PERCENT GROWTH TARGET, AND THAT ALL REASONABLE MEASURES TO ACHIEVE THE TARGET WOULD BE TAKEN. THE

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JAPANESE SIDE DID INSERT LANGUAGE TO THE EFFECT THAT ACHIEVEMENT OF THE GROWTH TARGET WAS "BASED ON THE ASSUMPTION OF A STABLE INTERNATIONAL MONETARY SITUATION," BUT EC REPRESENTATIVES FEEL THAT THE ADDITION OF THOSE WORDS ONLY RECOGNIZE REALITY.

10. THE JAPANESE AGREED TO LANGUAGE IN THE JOINT STATEMENT WHICH QUANTIFIED THE EXTENT BY WHICH THE GOJ ESTIMATES THE OVERALL CURRENT ACCOUNT SURPLUS WILL BE REDUCED

IN 1978. THE STATEMENT THAT THE REDUCTION WOULD BE ABOUT ONE-THIRD WAS A MAJOR STICKING POINT FOR THE JAPANESE, AND THEY AGREED TO IT ONLY AT THE END.

11. EC REPS ALSO NOTE IMPORTANCE TO THEM OF PROVISIONS
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IN THE JOINT STATEMENT CALLING FOR IMPROVEMENT IN THE CURRENT ACCOUNT SURPLUS THROUGH EXPANSION OF DOMESTIC DEMAND, EXAMINATION TOGETHER OF RESULTS AT REGULAR INTERVALS (GOJ REJECTED THE WORD "MONITOR"), AND COMMENT ON GATT SAFEGUARDS. JAPANESE ARE EXPECTED IN TIME TO GIVE IN ON SELECTIVE SAFEGUARDS ISSUE; MOFA IS APPARENTLY THE ONLY HOLD OUT.

12. THE JAPANESE URGED ESTABLISHMENT OF A JAPAN-EC TRADE FACILITATION COMMITTEE, BUT EC REPS TURNED IDEA DOWN ON GROUNDS IT WOULD OVERLAP EXISTING MEMBER COUNTRY PROGRAMS AND CONTACTS.

13. EC EFFORTS WERE NOT WITHOUT COST. EC REPS ADMIT THEY EVENTUALLY GAVE IN ON MANY KEY POINTS IN THEIR ORIGINAL DRAFT, AND THAT IRRITATION LEVEL AMONG SOME JAPANESE IS HIGH. HOWEVER, THEY THINK THE AIMS WERE REAL, EVEN IF LESS THAN IDEAL, AND WORTH THE COST. MANSFIELD

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